

How Chemical Companies Work with Toll Coaters

Introducing Sierra's Business Alliance Program

Though there are many keys to success in product development, two are most notable: speed to market and proof of production. To address the time and costs factors associated with developing a new product, business alliances are a great way to work efficiently and effectively.

For example, many chemical companies invest heavily in the development of new products, but need to show proof of a successful production process and provide finished goods to show potential customers. By working with a coating company in the pre-market stage of product development, a chemical company can expedite a new coating to market.

Why Sierra Customers Toll Coat

According to Robert Porter Lynch's *Business Alliance Guide*, a "variation of product alliances is the joint manufacturing venture, where, because of scale

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 2

costs, it makes economic sense to build a plant of large capacity, but no one company's market can support the entire production capacity" (page 59).

It is for this reason that contract and toll manufacturers exist — to absorb the fixed overhead costs associated with running a facility, providing clients with a way to create a purely variable cost method of developing new products.



Business Alliance Advantages

There are a number of benefits to forming a business alliance. Primary among them are access to production equipment and technical experience in coating.

When working with a manufacturer who has partnered with clients across a variety of industries, you benefit from having a highly knowledgeable product



Located in Green Bay, Wisconsin - Operations: **920-983-8000** Sales: **920-983-8008**

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 3

development expert with wide-ranging industry contacts.

Alliances also facilitate knowledge sharing between companies and can allow for new product applications in niche markets.

Sierra Coating's Chemical Business Alliance Program

As part of our Sierra Chemical Business Alliance Program, we are currently looking to form dedicated alliances with chemical companies that have developed innovative product solutions of their own. Sierra often recommends water-based chemicals for our clients' products in order to meet their specific needs.

As a trusted toll and contract manufacturer with services, such as raw material planning, our team works with paper mills, printers, and brand owners to help develop new products.

To best guide our clients in choosing the proper chemicals to use, Sierra also works with chemical companies to develop a solution for our client's requirements. Through this process, we facilitate growth for both our customers and ourselves.



Located in Green Bay, Wisconsin - Operations: **920-983-8000** Sales: **920-983-8008**

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 4

What Our Clients are Looking For

Sierra serves clients across a wide variety of industries, but certain requirements come up more often than others. Our expertise is particularly pronounced in industries — such as the food and beverage, health and beauty, and retail industries, to name a few — that have product needs requiring unique and highly specialized chemical treatments.

We frequently receive inquiries about innovative food-safe packaging, eco-friendly packaging and other poly replacements, heat seal and blister pack coating, and high-end luxury packaging. These are fast moving spaces that require regular innovation and reinvention to not only stay ahead of trends but to keep products compliant with ever-changing industry standards and guidelines.

To learn more about the benefits of a business alliance with Sierra, including the unique toll and contract manufacturing benefits that we bring to the table, click [here](#).

[Learn More About Sierra's
Chemical Business Alliance Program](#)

The Advantages of Toll and Contract Manufacturing

Developing On-Demand Services in Manufacturing

Consumers have grown accustomed to getting what they want, when they want it —services like Uber, Seamless, and Netflix are examples of how this on-demand business model can be successful. What if the on-demand model could be expanded to the manufacturing space?

Contract and toll manufacturing are prime examples of how the industry is ripe for the instant gratification marketplace. These two supply chain management strategies use the “sharing economy” model of on-demand services to help customers save time and money during product development.

Toll versus Contract Manufacturing

In toll manufacturing, a company provides a third party with raw materials to complete the manufacturing process for them. The toll manufacturer, equipped with the necessary production equipment and specialists, charges the company a fee (a toll) to finish the job.

Contract manufacturing is a similar process, except the contract manufacturer is responsible for sourcing raw materials in addition to making the product,

meeting customer specifications, and adhering to delivery time requirements.

The Cost-Saving Benefits



OEMs and other industrial manufacturers can apply the on-demand service model to their businesses by taking advantage of toll and contract manufacturing.

By going to a third-party when they need specific services, companies avoid the investment required for additional equipment, facilities, and employees. In turn, they receive the services they need, when they need them, while saving time and money.

This on-demand service model is ideal for new product development, seasonal projects, and testing products by utilizing a variable-cost operation.

Contract and toll manufacturers allow companies more flexibility no matter what stage of production they are in. During product development, for example,

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 7

companies can contract a manufacturer to begin production while still building their own facility.

They can also reach out to contract manufacturers for assistance producing high-quantity orders during overflow production or to help source and test materials during first-run production.

Sierra Coating operates as a toll and contract manufacturing organization (CMO) providing critical on-demand [laminating services](#) to our customers. To learn more about this model and the financial advantages of employing a contract or toll manufacturer, download a free copy of our eBook, “The Financial Case for Contract Manufacturing.”



Why Raw Material Planning in Manufacturing is Essential

You've heard the terms "toll manufacturing" and "contract manufacturing" before. In fact, you may have even read about them last year in our blog on toll manufacturing versus contract manufacturing.

Toll and contract manufacturing are both advanced tools for supply chain management. These types of manufacturing processes are usually utilized in new product development. They are very similar processes that can often be confused. There's an important, yet often overlooked, difference between the two.

Toll versus Contract Manufacturing

When you work with a contract manufacturer, you are essentially partnering with an independent manufacturer — they will source all of the raw materials, manufacture the contracted part, and deliver a completed product to you. In toll manufacturing, the company will manufacture your part, but you or an additional third-party is responsible for sourcing and delivering the raw materials.

The difference between the two lies in who is responsible in the risks associated with raw material planning. These risks often include the price, quality, and

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 9

delivery of the raw materials. Toll manufacturing is often done by a raw material manufacturer to create a new product line for the company.

The toll manufacturer is assuming the risks associated with raw material planning and product manufacturing. Whereas contract manufacturing is considered a turnkey solution for clients, where the contract manufacturer is responsible for raw material planning and product manufacturing dates.

Why Raw Material Planning Matters



Businesses, manufacturers in particular, are increasingly relying on Just-in-Time (JIT) and other similar manufacturing processes. The JIT process is an inventory strategy to reduce costs associated with product storage.

A key element of JIT and related processes is raw material management. The entire process relies on the requisite materials being delivered to where they are needed at the time when they are needed, creating a steady inflow of material

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 10

and outflow of completed parts. Sierra Coating specializes in raw material planning, skills which we put to use when partnering with you as a toll or contract manufacturer.

We maintain an in-house team of experts dedicated to raw material planning a wide variety of chemicals that we use during coating processes. The team includes a logistics planner, a raw material planning specialist, and two dedicated chemists. Our team procures the chemicals that your product requires, testing them on production equipment to ensure the product functions properly.

Trusting Your Partners with JIT Manufacturing

Though extremely important, raw material planning is only one part of a multi-stage process — JIT and other production streamlining methodologies must be maintained throughout the entirety of a production process in order to be effective.

At Sierra Coating, we follow through. After testing and procuring high-quality raw materials, we can manufacture and ship your products on a JIT schedule. Our raw material team works hand in hand with our manufacturing team to ensure that every step of the process runs seamlessly.

To learn more about the benefits of working with a toll and/or contract manufacturer, download our free eBook, *The Financial Case for Contract*

Manufacturing.



Toll Manufacturing versus Contract Manufacturing

Toll manufacturing and contract manufacturing are two relatively similar forms of supply chain management that are often misunderstood and confused. While both of these manufacturing options have distinct and clear characteristics, their most strategic advantage is their ability to provide customers with valuable ways to save both time and capital on their product line development.

On-Demand Service

In many ways, contract and toll manufacturing are similar to other on-demand services like Uber, Seamless, and HBO Go. They allow Sierra Coating to provide laminating or coating services on demand and as needed, as part of a “sharing economy” model that is beneficial for both the customer and the manufacturer.

“Sierra has delivered us a quality product for years, on time all the time. If there is any kind of an issue they always get right on it.”

Brian, Company is a 10-year customer

Below, we will highlight the advantages and distinctions between toll and contract manufacturing to help you make the best decision for your company.

What is Toll Manufacturing?

In toll manufacturing, one company provides raw materials (or semi-finished goods) to a third-party, who will then provide the rest of the services (manufacturing). Typically, the third-party company will already have particular equipment and organizational models in place, and they can supply subclasses of manufacturing processes for the first company for a fee – or toll.

As a toll manufacturer, Sierra Coating can provide customers with a facility and manufacturing equipment to process their raw materials or semi-finished

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 13

products. Because of this, the customer only has a variable cost of manufacturing without the financial investment in equipment, facilities, and employees. With toll manufacturing, the customer is equipped with the resources to develop their own specialty coatings or papers that Sierra Coating can use in the manufacturing process. Subsequently, the customer is able to develop the exact product they envision, without the time and capital investment of building a manufacturing operation. This significantly decreases the time required to get the product to market, as lead times for ordering and installing new machinery are eliminated.

At Sierra Coating, customers are able to supply one or more of the raw materials needed for production or, if the customer prefers, the Sierra Coating team can supply the materials.

Key Differences with Contract Manufacturing

Though contract manufacturing is similar to toll manufacturing, there are some key differences between the two. Similar to toll manufacturing, contract manufacturing involves outsourcing production processes to a third-party company. In contract manufacturing, however, the third-party company hired to produce the goods is supplying the manufacturing process as well as sourcing all of the raw materials. Contract manufacturing is creating a supply chain vendor for a branded, private label or custom-made product. The contract manufacturer

<https://www.sierracoating.com/blog/tag/toll-manufacturing/> > Page: 14

is responsible for making the product to specification and meeting the delivery time requirements. This offers the customer a fast and effective method of extending their product line with minimal investment and a made-to-order supply program.

Helpful Resources

Sierra Coating is a leader in coating and laminating services, with over twenty years of experience providing our customers with both toll and contract manufacturing services. To learn more about the differences between toll and contract manufacturing as well as other popular paper industry terms, download our free guide, ***Commonly Misused Terms within the Paper Industry***.

If you have any questions about how Sierra Coating can help with your next toll and/or contract manufacturing project, contact us today.

